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**OPTIONS FOUNDATION, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2000**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 01/24/01

**OPTIONS FOUNDATION, INC.**  
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**JAMES M. CAMPBELL**  
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**A PROFESSIONAL CORPORATION**  
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November 3, 2000

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Options Foundation, Inc.  
Baton Rouge, Louisiana

Ladies and Gentlemen:

I have audited the accompanying statement of financial position of

**OPTIONS FOUNDATION, INC.**  
(a nonprofit organization)

as of June 30, 2000, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Options Foundation, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

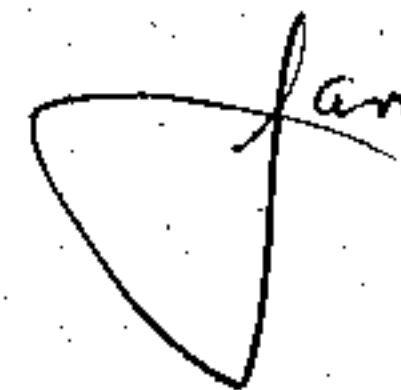
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Options Foundation, Inc. as of June 30, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Member of:  
American Institute of Certified Public Accountants  
Arkansas Society of Certified Public Accountants  
Society of Louisiana CPA's

INDEPENDENT AUDITOR'S REPORT  
(CONCLUDED)

In accordance with Government Auditing Standards, I have also issued my report dated November 3, 2000, on my consideration of Options Foundation, Inc.'s internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Options Foundation, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Also, the Statement of Functional Expenses on Page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 James M. Campbell CPA, AICPA

OPTIONS FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2000

ASSETS

CURRENT ASSETS

Cash	\$ 12,306
Contracts receivable	143,451
Accounts receivable from Related Company	<u>96,433</u>

Total Current Assets 252,190

FIXED ASSETS

Land	51,325
Buildings	396,729
Vehicles	58,701
Furniture and Fixtures	22,840
Computers and Equipment	6,848
Accumulated Depreciation	<u>(54,891)</u>

Total Fixed Assets 481,552

OTHER ASSETS

Deposits	<u>2,301</u>
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TOTAL ASSETS 736,043

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Bank overdraft	8,550
Accounts payable	17,061
Accounts payable to Related Company	348,584
Payroll Taxes and related payables	8,669
Accrued Salaries	16,828
Note Payable	<u>10,656</u>

Total Current Liabilities 410,348

LONG TERM LIABILITIES

Note Payable	<u>225,971</u>
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TOTAL LIABILITIES 636,319

NET ASSETS

Unrestricted Net Assets	<u>99,724</u>
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TOTAL NET ASSETS 99,724

TOTAL LIABILITIES AND NET ASSETS 736,043

The accompanying notes are an integral part of the financial statements.

OPTIONS FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2000

UNRESTRICTED NET ASSETS

Unrestricted Support Revenues:

Grant-Office Community Service

Residential Treatment Service

Grant-Office of Mental Health

Grant-Family Support

Grant-HUD/City of Baton Rouge

Rent Income- Options Villa

Other

\$ 415,970

46,904

38,008

260,424

90,359

36,679

Total Unrestricted Support, Revenues and  
Reclassifications

888,344

EXPENSES

Program Services:

Community Service Residential Treatment

Services

Family Support

Options Villa

Supporting Services:

Management and General

491,880

34,513

303,720

62,109

Total Expenses

892,222

INCREASE IN UNRESTRICTED NET ASSETS

(3,878)

INCREASE (DECREASE) IN NET ASSETS

(3,878)

NET ASSETS, JULY 1, 1999

103,602

NET ASSETS, JUNE 30, 2000

99,724

The accompanying notes are an integral part of the financial statements.



OPTIONS FOUNDATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2000

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (3,878)
Adjustments to reconcile change in net assets to net cash provided (used by) operating activities:	
Depreciation	28,684
Contracts Receivable	(29,495)
Accounts Receivable-Related Company	(58,763)
Deposits	
Accounts Payable	(6,730)
Due to Related Company	77,957
Payroll Taxes Payable	1,144
Accrued Salaries	<u>5,948</u>

NET CASH FROM OPERATING  
ACTIVITIES

14,867

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Buildings and Land	
Purchase of Furniture and Fixtures	<u>1,357</u>

NET CASH FROM INVESTING  
ACTIVITIES

(1,357)

CASH FLOWS FROM FINANCING ACTIVITIES

Loan Proceeds	
Loan Payments	<u>(9,225)</u>

NET CASH FROM FINANCING  
ACTIVITIES

INCREASE IN CASH AND  
CASH EQUIVALENTS

4,285

CASH AND CASH EQUIVALENTS,  
BEGINNING OF YEAR

8,021

CASH AND CASH EQUIVALENTS,  
END OF YEAR

12,306

SUPPLEMENTAL INFORMATION

Interest Paid	<u>18,352</u>
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The accompanying notes are an integral part of the financial statements.

OPTIONS FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Options Foundation, Inc. is a private, non-profit organization whose purpose is to provide services for people with behavioral health requirements primarily in Baton Rouge, Louisiana.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Options Foundation, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Options Foundation, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2000.

B. FUNCTIONAL EXPENSES

Expenses are charged to each program based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to a program based on an analysis of personnel time utilized and on estimates made by Options Foundation, Inc.'s management for the related activities.

C. DONATED PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted assets.

D. CASH AND CASH EQUIVALENTS

Options Foundation, Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

E. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ materially from those estimates.



OPTIONS FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000

NOTE 2: NET ASSETS

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Options Foundation, Inc. and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Options Foundation, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by Options Foundation, Inc. Generally, the donors of these assets permit Options Foundation, Inc. to use all or part of the income earned on any related investments for general or specific purposes.

B. FINANCIAL STATEMENT PRESENTATION

In 1997, Options Foundation, Inc. adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, Options Foundation, Inc. is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. As permitted by this Statement, Options Foundations, Inc. has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. The reclassification has no cumulative effect on the change in net assets for the year ended June 30, 2000.

Options Foundation, Inc. also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made", in 1997. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The adoption had no cumulative effect on net assets at the date of adoption.

OPTIONS FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000

NOTE 3: FIXED ASSETS

Fixed assets acquired by Options Foundation, Inc. are considered to be owned by the Organization. However, State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds which have a cost of \$500 or more, and an estimated useful life of at least two years.

Options Foundation, Inc. follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Estimated Useful Life

Furniture and Equipment	5 - 12 years
Transportation Equipment	5 years

Depreciation expense for the year ending June 30, 2000, was \$28,684.

NOTE 4: ACCOUNTS RECEIVABLE

Receivables at June 30, 2000, are summarized below.

DHH Office of Mental Health	\$ 14,532
Department of Social Services,	
Office of Community Services	50,636
Office of Housing and Urban	
Development	<u>78,283</u>
	<u>\$ 143,451</u>

NOTE 5: ACCRUED VACATION/LEAVE - EMPLOYEE BENEFITS

Options Foundation, Inc.'s employees earn paid vacation after successful completion of three months of initial period of employment.

Vacation and leave accrue at various rates depending upon length of service and hours worked per month. There was no accrued vacation at June 30, 2000.

OPTIONS FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000

NOTE 6: COMMITMENTS AND CONTINGENCIES

Options Foundation, Inc. receives a substantial portion of its revenues from government grants and contracts, all of which are subject to audit by the federal government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to, and audited by, the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs.

Management is not aware of any pending audits or proposed adjustments, and no provision for estimated retroactive adjustments has been made.

Options Foundation, Inc. is subject to certain claims and litigation. In the opinion of management, the outcome of such matters will not have a material effect on the financial position of the Organization.

NOTE 7: CONCENTRATION OF CREDIT RISK

Options Foundation, Inc. maintains several bank accounts at one bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at these institutions did not exceed federally insured limits at June 30, 2000.

NOTE 8: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

The estimated fair values of Options Foundation Inc.'s financial instruments at June 30, 2000, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 12,306	\$ 12,306
Notes Payable	236,627	236,627



OPTIONS FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000

NOTE 9: LEASED FACILITIES

Facilities used by Options Foundation, Inc. were leased for \$24,000 per year from a related organization. The lease is for a period of one year, commencing July 1, 1999. The lease requires a 30 day notice to terminate after one year. The total minimum future lease payments were \$2,000 at June 30, 2000.

NOTE 10: RELATED PARTY TRANSACTIONS

Options Foundation, Inc. has contracted with a related organization to provide administrative and clinical support for \$3,500 per month for six months, then \$3,920 for one year beginning January 1, 2000 or \$44,520 annually. The related company also provides group therapy for a per diem rate of \$120 per day. Options paid \$1,000 per month or \$12,000 annually to the related organization for other facilities under an informal month to month rent agreement. Another related company provides transportation for \$5,100 per month or \$61,200 per year. Transportation expense for the year ended June 30, 2000, was \$41,631.

The President of Options Foundation, Inc. owns 100% of the related organizations.

NOTE 11: NOTES PAYABLE

Notes payable consist of a loan for land and building. This loan has a seven year term commitment with an interest rate of 7% and is secured by a first mortgage on the land and building. Principle maturities are as follows:

2001	\$ 10,656
2002	11,437
2003	12,276
2004	13,176
2005	14,142
Thereafter	<u>174,940</u>
	<u>\$ 236,627</u>

NOTE 12: RESTRICTIONS ON NET ASSETS

Options Foundation, Inc. has obtained a grant through the City of Baton Rouge and Housing and Urban Development (HUD). Total funds received from this grant were \$77,000, for 1998, of which \$2,871 had been disbursed by the June 30, 1998 year end. This grant was restricted for the cost of acquiring another facility. Restrictions of the grant are considered to expire when payments are made. The amount of the grant disbursed in the current period, or \$260,424 is recorded as unrestricted net assets.

OPTIONS FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 13: ACCOUNTS RECEIVABLE

Uncollectible Contracts receivable are charged directly to earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.



## SUPPLEMENTARY INFORMATION

OPTIONS FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2000

PROGRAM SERVICES

	<u>TERRY HOUSE COMMUNITY SERVICE</u>	<u>FAMILY SUPPORT</u>	<u>OPTIONS VILLA</u>	<u>MANAGEMENT &amp; GENERAL</u>
Salaries	\$ 254,997		\$ 150,853	\$ 6,916
Payroll Taxes	<u>19,749</u>		<u>13,326</u>	<u>2,600</u>
Total	274,746		164,179	9,516
Depreciation	15,460		13,224	
Bad Debts				0
Auto Mileage	1,657		4,687	(18)
Office expense	3,457		1,045	0
Supplies	11,721	\$ 1,691	1,463	415
Repair & maintenance	2,613		8,374	340
Lease	20,148			0
Telecommunications	5,881		4,882	0
Utilities	8,204		15,415	
Education & Newsletter	1,779			245
Business Gifts	400		225	0
Books & Subscriptions	464		75	0
Professional	15,939		4,115	50
Clothing	3,479			
Food supply	19,381			
Medical supply	3,099			
Recreation/Allowances	7,057			
Insurance	3,541		2,621	6,606
Contract Services	48,813	31,704	57,665	33,628
Meals & Entertainment	470		1,644	0
Donations			115	0
Taxes & licenses	1,877			4,221
Travel	0	1,118	0	
Miscellaneous	63		5,816	6,200
Transportation	41,631			
Bank & Billing Charges				729
Interest			<u>18,175</u>	<u>177</u>
<u>Total Expenses</u>	<u>491,880</u>	<u>34,513</u>	<u>303,720</u>	<u>62,109</u>

OPTIONS FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2000

PROGRAM SERVICES

TOTALS

\$ 412,766

35,675

448,441

28,684

0

6,326

4,502

15,290

11,327

20,148

10,763

23,619

2,024

625

539

20,104

3,479

19,381

3,099

7,057

12,768

171,810

2,114

115

6,098

1,118

12,079

41,631

729

18,352

892,222

OPTIONS FOUNDATION, INC.  
SCHEDULE OF FEDERAL/STATE FINANCIAL ASSISTANCE PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2000

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA PASS-THROUGH GRANTOR'S NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>	
		<u>FEDERAL</u>	<u>STATE</u>
DHH Office of Mental Health Social Services Contract	OFMS 535607		\$ 24,015
DHH Office of Mental Health	CFMS 539326		29,254
DHH Office of Mental Health	CFMS 549118		2,311
DHH Office of Mental Health	CFMS 549171		38,007
DHH Office of Mental Health	CFMS 553314		21,250
Office of Community Services Residential Treatment Service for Foster Children	CFDA 93.645	\$ 248,289*	120,000
HUD/City of Baton Rouge Supportive Housing Program	LA 48B96-0003	<u>260,424</u>	
TOTALS		<u>\$ 508,713</u>	<u>\$ 234,837</u>

\*Estimated Amount of Federal  
Expenditures

**JAMES M. CAMPBELL**  
**CERTIFIED PUBLIC ACCOUNTANT**

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A PROFESSIONAL CORPORATION  
8939 Jefferson Hwy. First Floor, Suites A B C  
Baton Rouge, Louisiana 70809

November 3, 2000

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Options Foundation, Inc.  
Baton Rouge, Louisiana

I have audited the financial statements of Options Foundation, Inc. (a nonprofit organization) as of and for the year ended June 30, 2000, and have issued my report thereon dated November 3, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Options Foundation, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Options Foundation, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.




REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONCLUDED)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

 James M. Campbell CFA, CPA

**JAMES M. CAMPBELL**  
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November 3, 2000

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Board of Directors  
Options Foundation, Inc.  
Baton Rouge, Louisiana

**Compliance**

I have audited the compliance of Options Foundation, Inc., (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. Options Foundation, Inc.'s major federal programs are identified in the Schedule of Federal Awards in the Supplementary Information Section. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Options Foundation Inc.'s management. My responsibility is to express an opinion on Options Foundation Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Options Foundation, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Options Foundation, Inc.'s compliance with those requirements.

In my opinion, Options Foundation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.


REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133  
(CONCLUDED)

Internal Control Over Compliance

The management of Options Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Options Foundation, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weakness.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

 James M. Campbell CPA, APC